

Sanilac County, Michigan

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2004

Sanilac County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

Compliance

We have audited the compliance of Sanilac County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to the major Federal programs for the year ended December 31, 2004. Sanilac County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs are the responsibility of Sanilac County's management. Our responsibility is to express an opinion on Sanilac County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Sanilac County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sanilac County's compliance with those requirements.

In our opinion, Sanilac County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2004.

Internal Control Over Compliance

The management of Sanilac County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Sanilac County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Sanilac County, the pass-through grantors, and the U.S. Departments of Health and Human Services, Housing and Urban Development, Justice, Agriculture and Labor, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 10, 2005

Sanilac County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program (State's Program) 04/05 Housing Program	14.228	N/A	\$ 65,030
Passed through Michigan Economic Development Corporation Community Development Block Grant (CDBG) Program (States Program) 03/04 Revolving Loan Fund Program 01/04 Revolving Loan Fund Program	14.228	N/A N/A	31,329 <u>1,555</u>
			97,914
U.S. DEPARTMENT OF LABOR			
Passed through Michigan Department of Career Development and Michigan Works! Thumb Area Consortium Employment Services	17.207	N/A	60,036
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan Department of State Police Emergency Management Performance Program	97.042	N/A	25,587
State Domestic Preparedness Equipment Support Program 2003 Equipment Grant 2003/2005 Exercise Grant 2004/2005 Training Grant 2004/2005 Planning, Training, Exercise Grant	97.004	N/A N/A N/A N/A	57,911 6,996 3,991 <u>6,271</u>
			<u>75,169</u>
			100,756
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Community Health Family Planning Services	93.217	05H000173	62,636
Childhood Immunization Grants IAP Vaccine Handling (a) Vaccines (e)	93.268	H23 CCH522556	17,740 1,600 <u>114,544</u>
			133,884

Sanilac County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Community Health - continued			
Centers for Disease Control - Prevention			
Investigating Technical Assistance	93.283		
Chronic Disease Prevention			
Smoking Prevention		U58 CCU522826	\$ 14,000
Bioterrorism		U58 CCU517018	
Focus A			46,176
Focus B			35,400
Focus E			42,468
Focus F			46,600
Focus G			<u>59,356</u>
			244,000
Medical Assistance Program	93.778	5XX05MI5048	
Delivery Support			9,587
CSHC Care Coordination (a)			<u>330</u>
			9,917
Preventative Health and Health Services Block Grant	93.991	B1MIPRVS	
Pregnancy Prevention			4,000
Maternal and Child Health Services Block Grant	93.994	B1MIMCHS	
Family Planning			21,136
Pregnancy Prevention			37,809
Local MCH			34,519
Case Management			<u>6,130</u>
			99,594
Passed through Michigan Family Independence Agency			
Child Support Enforcement ^(d)			
(Title IV-D)	93.563		
Cooperative Reimbursement - Friend of the Court ^(b)			
04/05		CS/FOC-05-76001	74,676
03/04		CS/FOC-04-76001	204,954
Cooperative Reimbursement - Prosecuting Attorney ^(b)			
04/05		CS/PA-05-76002	12,193
03/04		CS/PA-04-76002	40,322
Incentive Payments ^(c)			
2004 Regular		N/A	<u>95,141</u>
			427,286

Sanilac County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Family Independence Agency			
Promoting Safe and Stable Families	93.556		
Strong Families/Safe Children (County)		N/A	\$ 34,552
Strong Families/Safe Children - (Health Department)		N/A	<u>58,895</u>
			<u>93,447</u>
			1,074,764
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Community Health			
Special Supplemental Nutrition Program For Women, Infants and Children (WIC) Regular	10.557	XX4W1006	<u>126,450</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,459,920</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Sanilac County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements that are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) The reimbursements for these programs are on a fixed unit rate basis. Expenditures have been reported to the extent of earned revenues.
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) The reported federal expenditures for this program represent the fair market value of vaccines received during this year from the Federal government. Unexpended inventory amounts are not considered to be material.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2004, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 55,608	\$ 3,093	\$ -	\$ 52,515
DOJ Equipment Grant	57,911	-	-	57,911
Emergency Management Grants	25,587	-	-	25,587
Homeland Security Grant	17,258	-	-	17,258
MHSDA Grant	65,030	-	-	65,030
Other Programs	<u>906,124</u>	<u>906,124</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,127,518	909,217	-0-	218,301

Sanilac County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2004

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED				
OTHER GOVERNMENTAL FUNDS				
Friend of the Court	\$ 392,025	\$ 17,254	\$ -	\$ 374,771
Strong Families Project Fund	34,552	-	-	34,552
Health Department Fund	1,522,159	782,783	-	739,376
Other Programs	<u>1,332,784</u>	<u>1,332,784</u>	<u>-</u>	<u>-0-</u>
TOTAL OTHER GOVERNMENTAL FUNDS	<u>3,281,520</u>	<u>2,132,821</u>	<u>-0-</u>	<u>1,148,699</u>
TOTAL PRIMARY GOVERNMENT	4,409,038		-0-	
COMPONENT UNIT FUNDS				
Economic Development Corporation	194,812	101,892	-	92,920
Road Commission	<u>9,345,709</u>	<u>8,052,316</u>	<u>(1,293,393)⁽¹⁾</u>	<u>-0-</u>
TOTAL COMPONENT UNIT FUNDS	<u>9,540,521</u>	<u>8,154,208</u>	<u>(1,293,393)</u>	<u>92,920</u>
	<u>\$13,949,559</u>	<u>\$11,196,246</u>	<u>\$(1,293,393)</u>	<u>\$ 1,459,920</u>

Following is a summary of the adjustment in the above schedule:

- (1) The total adjustment (\$1,293,393) in Federal funds represents the Department of Transportation Federal Highway grant money expended on public road improvement projects under Federal Urban and Rural Programs for the Sanilac County Road Commission. All of these federal awards were expended on projects where work was administered by the Michigan Department of Transportation; therefore, the single audit on these funds is covered with the State single audit. All of these funds have been excluded from the County's Single Audit.

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Sanilac County
Sandusky, Michigan

We have audited the basic financial statements of Sanilac County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanilac County, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We did note certain immaterial instances of noncompliance that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We did note other matters involving the internal control over financial reporting that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 10, 2005.

This report is intended for the information of the County Board of Commissioners, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 10, 2005

Sanilac County, Michigan

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no reportable conditions related to internal controls or compliance related to the major programs tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Child Support Enforcement Program (Title IV-D)(CFDA 93.563). Total Federal expenditures for the year ended December 31, 2004, for the major program was \$427,286, which is approximately 29 percent of total Federal expenditures. The County qualified as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IVD) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Related to the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

Sanilac County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the General Purpose Financial Statements.

The following describes the corrective actions taken by the County to resolve the prior year audit findings.

FINDING #03-1 - RECONCILIATION OF CASH BALANCES

During 2004 the Health Department did balance the ending balances in the pooled account with the County Treasurers office on a monthly basis.

We consider this finding to be resolved.

Findings Related to Compliance with Requirements Applicable to the General Purpose Financial Statements.

No prior audit findings noted.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings noted.